

Memorandum

To: FITSPA
From: AF Mpanga Advocates
Date: 6 August 2020
Re: *Starting a fintech business in Uganda*

This is a brief overview of the business licenses required to start a fintech business in Uganda.

1. Business Vehicles

1.1 The following entities may be used to conduct business in Uganda:

- a) Sole proprietorship;
- b) partnership;
- c) public company (joint stock company);
- d) limited liability company;
- e) joint venture;
- f) public-private venture; and
- g) registered branch of a foreign company.

<https://ulii.org/ug/legislation/act/2015/1-4>

2. Business Licenses

General/not sector specific

2.1 The following general licenses may be required:

- a) All taxpayers (including company directors) must register with the URA and obtain a tax identification number ("TIN"), which is used for all types of taxes.
https://www.ura.go.ug/Resources/webuploads/GNRART/DT_Laws_2018_Edition.pdf
- b) If an enterprise's expected annual turnover is UGX 150 million or more, the value-added tax ("VAT") registration threshold, it should also apply for VAT registration. The threshold is also met if during any period of three calendar months exceeds or is expected to exceed a quarter of the annual registration threshold of UGX150 million.
https://www.ura.go.ug/Resources/webuploads/GNRART/DT_Laws_2018_Edition.pdf
- a) Prior to applying for a trading licence, foreign investors are required to obtain permission from, and register with, the Ministry of Trade, Industries and Cooperatives.
- b) Businesses operating in Uganda must hold a valid trading licence from the relevant municipal licensing authority (in Kampala, the KCCA). A separate trading licence is to be obtained in respect of each branch/store of an entity.

<https://ulii.org/ug/legislation/statutory-instrument/2017/2>

<https://ulii.org/ug/legislation/consolidated-act/101>

- c) Every employer employing five or more employees must register with the NSSF within 21 days of becoming liable to register as contributing employer. In addition, each employee is required to have their own member number under which contributions are made. <https://www.nssfug.org/uploads/NSSF%20Act.pdf>

3. Regulatory & Compliance;

- 3.1 Mobile money providers are required to partner with a financial institution licensed by the Central Bank. These include commercial banks, credit institutions or microfinance deposit taking institutions. The licensed financial institution then applies to the Central Bank to seek for approval for mobile money services in partnership with a licensed or approved mobile money provider.

<https://www.ucc.co.ug/files/downloads/Mobile-Money-Guidelines-2013.pdf>

- 3.2 See National Payments Bill below.

4. Immigration;

- 4.1 Foreign employees require a special pass or a work permit in order to be employed in Uganda. A special pass is a short-term work facility granted to foreign employees whose term of employment is for an aggregate period of five months, whereas a work permit is granted to foreign employees whose term of employment is for six months to three years.

<https://ulii.org/node/24742#:~:text=An%20Act%20to%20amend%20the,of%20state%20which%20a%20person>

5. The National Payment Systems Bill, 2019 ('The Bill')

<https://parliamentwatch.ug/wp-content/uploads/2019/11/National-Payment-Systems-Bill-2019.pdf>

NB: This version was amended before being passed by Parliament. A link to the amended version is not publicly available.

- 5.1 This Bill has been passed by Parliament but is yet to be assented to by the President. This shall be the first piece of legislation that specifically regulates payment systems in Uganda. It seeks to regulate payment systems; to provide for safety and efficiency of payment systems, to prescribe rules governing the oversight and protection of payment systems. The law introduces financial collateral arrangements, regulates issuance of electronic money, among others.
- 5.2 Under clause 7 of the Bill, a license is required for one to offer a payment service, operate a payment system or issue a payment instrument. An annual fee shall be payable by the 31 day of January every year.
- 5.3 The Central Bank shall issue the licenses and is expected to prescribe the requirements for each category of license.

5.4 For a payment system to be eligible for licensing, it must have any of the objects listed under Clause 9 of the Bill. These include among others:

- a) Clearing of payment instructions between financial and non-bank;
- b) Settling obligations arising from the clearing of payment instructions;
- c) Transfer of funds from one account to another using an electronic device;
- d) Transfer of e-money from one electronic device to another;
- e) Provision of technological services to facilitate switching, routing, clearing or data management for and on behalf of a payment system provider;
- f) Ordering or transmitting payment instructions;
- g) Storing of information on a device for purposes of effecting payments;
- h) Fulfilling payment obligations at points of sale, merchant outlets or over the internet
- i) Any payment systems that are interoperable with other payment systems in the country and internationally.